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Progress on Financial Inclusion: Banking Sectors and Future Prospects

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ABSTRACT
The financial system of a growing country is crucial to its success. In order to guarantee the country's perpetual progress, it is essential that its population enjoy both economic prosperity and financial security. As a result, the ability to access and use financial services is crucial to the development of an economy for all its citizens. To put it simply, financial inclusion is an effort to improve rural Indians' access to financial services. The first initiatives to ensure that all "bankable households" had access to banking services, including credit, insurance, savings, and more, date back to the year when the United Nations was founded. In India, the government has been making a lot of strides to expand access to financial services. This study makes an effort to give readers a bird's-eye view of the development of financial inclusion in India over the past few years. On the basis of the research done, it can be concluded that financial inclusion in India is in a developing stage in terms of branch penetration. However, the government of India and its citizens must work together to give life to specific initiatives aimed at fostering equitable growth, which are currently in the formative stages.

Keywords: Financial Inclusion, RBI, Banking Sector, Achievements, Indian Economy, Development.

1. INTRODUCTION
The stability of the economy is amplified and mediated by the financial sector. Due to a lack of access to conventional financial institutions, a sizable portion of the population in India must rely on costly alternative funding mechanisms. As a result, professionals in the banking industry and in government have recognised the need for projects that might be devoted to the provision of banking services to economically poorer parts of society. Sh. YV Reddy, then-Governor of the Reserve Bank of India (RBI), first used the term "financial inclusion" in 2005. In reality, he used the word by mistake because he thought it was another word that RBI used to describe monetary ostracism.
Promoting financial inclusion has been one of the central priorities of the government of India and the Reserve Bank of India. Nationalizing banks; establishing a strong branch network of scheduled commercial banks, co-operatives, and regional rural banks; establishing mandated priority sector lending targets; establishing a lead bank scheme; forming self-help groups; allowing BCs and BFs to be appointed by banks to provide door-to-door delivery of banking services; introducing zero-balance BSBD accounts, etc. are all examples of significant efforts made in the last half-century. All of these efforts are driven by the same goal: to provide financial inclusion to vast swaths of India's underserved population.

2. REVIEW LITERATURE
It is possible to view financial inclusion as a crucial foundation for economic growth as well. Study after study on financial inclusion shows how crucial initiatives in this direction are for uplifting economically disadvantaged groups. Financial services encompass a broad range of endeavours, from lending to savings and insurance (Dev, 2006). Another study from 2005 found that offering low-margin financial services to a wide population could generate substantial profits. Banks should rethink their business methods if they want to increase financial inclusion among low-income populations. Also, technology should be used along with other tools to reach the goal of financial inclusion (Leeladhar, 2005).
Sriram and Sundaram set out to determine what factors led to financial inclusion in the rural sections of the Vellore district in Tamil Nadu in 2008. Using information gathered from 20 different neighbourhoods in Vellore, the study's authors also pinpointed the factors that contribute to the city's relatively low bank account usage. According to the percentage breakdown and financial inclusion index, Vellore is just around the middle of the pack. Unemployment, low levels of education, and low income were cited as the primary causes of limited access to financial resources (Sundaram and Sriram, 2008). Similar findings were found in another study conducted in Karnataka. The report used as a basis for the study claimed that all of the residents of the Gulbarga district had access to the financial system. The research did find that some bank accounts were opened, but they were not opened as part of the Financial Inclusion Program but rather as part of the NREGP scheme. As a result, the poor in rural areas were less likely to be aware of initiatives to improve their financial situation. The research suggested that more work needs to be done to improve people's knowledge of money matters in rural areas (Ramji, 2009). As can be seen in Figure 2, the Reserve Bank of India has included financial literacy as one of the three legs of the financial inclusion tripod. In order to achieve inclusive growth, RBI established three guiding principles or pillars. Even though financial inclusion was the main goal, the other two principles/pillars were what made it possible to reach that goal.
Two researchers looked at the relationship between financial inclusion and human development on a global scale and found a positive correlation. Researchers used the financial inclusion index proposed by Sarma in 2008 to prove that individual income (as defined by per capita GDP) is a significant factor in explaining financial inclusion. Additionally, factors such as adult literacy rates, urbanisation, and income inequality were revealed (Sharma and Pias, 2011).

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3. RESEARCH METHODOLOGY

The research is purely descriptive. The research relied heavily on secondary sources, such as studies published by the Reserve Bank of India, the Ministry of Finance, and the World Bank. The variety of newspapers, books, and reliable online resources that were consulted were catalogued and noted. The simple percentage method was used to look at the secondary data to show how financial inclusion has changed and where it is now over the past ten years.

3.1 Financial Inclusion

The purpose of financial inclusion is to guarantee that all residents of a given country have equal access to the most fundamental financial services. The Reserve Bank of India provided a formal definition of financial inclusion in 2008, and since then, various academics have attempted to expound on this concept. Study-based definitions of the term.

3.2 Reserve Bank of India (2008)

Financial inclusion is defined by the Reserve Bank of India as the "process of ensuring access to adequate financial goods and services required by all sectors of society in general and vulnerable groups in particular, such as weaker segments and low-income groups."

3.3 The Planning Board (2009)

Financial inclusion means that everyone can take advantage of a full suite of affordable financial services," the report says. Not just banking services, but also insurance and stock market offerings fall under this category.

3.4 Chakraborty (2011)

Financial inclusion is the process by which all segments of society, including vulnerable segments such as weaker segments and low income groups, are able to access appropriate financial products and services needed by them at affordable costs in a fair and transparent manner by mainstream institutional players,"

The term "financial inclusion" was coined in the same year that United Nations initiatives were launched mandating the expansion of access to banking services, including credit, insurance, and savings accounts for all "bankable households."

Defining Moments in India's Progress towards Financial Equality

Specifics of the Situation

- In 1956, the government of India took control of the Imperial Bank of India.
- Establishment of the National Credit Council, 1968.
- The Lead Bank Scheme was first implemented in 1969.
- In 1971, guidelines for financing priority sectors were established.
- The first RRBs, or Regional Rural Banks, were founded that same year, 1975.
- 1982 The National Bank for Agriculture and Rural Development
- In 1992, the Self-Help Groups Linkage Programme was started to support women in rural areas.
- In the year 2000, the SIDBI Foundation was set up to provide microcredit.
- In 2004, the Khan Committee was established by the Reserve Bank of India.
- The Chairman of the Indian Bank, Dr. K.C. Chakraborty, launched a pilot project on financial inclusion in Mangalam hamlet of Pondicherry in 2005.
- A bill to regulate microfinance institutions was introduced to parliament in 2007.
- The Microfinance Institutions Act, 2012, passed by India's Ministry of Finance (Development and Regulations),
- In 2012, updated guidelines for financial literacy resource centres were published.

With their help, microfinance institutions (MFIs) in India have improved the country's overall level of financial inclusion (Islam, 2012). Bandhan Microfinance, Cashpor Microcredit, Bharat Financial Inclusion Limited, Share Microfin Limited, Spandana Sphoorty Financial Ltd, Asmitha Microfin Ltd, Bhartiya Samruddhi Finance Limited (BSFL), etc. are only a few examples of the many different types of MFIs operating in India (Karmakar, 2008). Figure 1 is a chart from a 2017 study that shows the five A's of financial inclusion. The first consideration is "availability," which means that all forms of financial services, irrespective of a person's income or credit history, must be made available to them. A second consideration is the relative ease with which such services can be obtained. Third, people in even the most remote parts of the country should be able to access financial services like credit, insurance, savings, etc., not simply those provided at banks. Public sector banks, for this reason, have established a number of bank branches in rural areas. According to the fourth factor, it is not enough to simply make items and services available and accessible at a lower cost; rather, there must be awareness created about it. As part of this initiative, a slew of grassroots initiatives were launched across rural areas, a variety of pro-savings and pro-insurance advertisements were released, and booklets were disseminated across urban centres. The final consideration suggests that all forms of financial services must be sufficient as the emphasis is on people from disadvantaged social groups who, as a result, will require loans of lesser amounts and will be unsatisfied if supplied in excessively high sums (Kaur et al., 2017).

4. FINANCIAL INCLUSION IN INDIA

By encouraging savings among a sizable proportion of rural Indians, financial inclusion can help strengthen the foundation of the country's financial system as a whole. Plus, helping those with lower incomes gets access to and usage of financial services helps these people better manage their resources. Those most at risk in society will be shielded from usurious loans if they have easy access to formal credit. In India, Financial Inclusion aims to accomplish the following primary goals:

- The provision of official credit channels is crucial, as a large proportion of the population now relies on informal sources of credit such as friends, family, and moneylenders to meet their financial obligations. People with low incomes will be able to keep their income stable and work to improve their standard of living if they can use formal banking channels.
- A strong financial system is essential for any nation's development, so it's important to provide citizens with a forum for developing the habit of saving money. India's government has made it one of its goals to get everyone to open a bank account and start saving regularly. This will help the country's finances, which are getting worse.
- One of the biggest problems the government has is getting the money intended for the rural population to benefit from various welfare programmes and subsidies. Distributing money would be far more efficient if everyone in rural areas had access to a bank account. This has led the government to prefer depositing funds directly into recipient bank accounts.

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Table 1: Efforts Taken towards financial inclusion by the GOI, the Reserve Bank of India, and NABARD

Customer Service Centres	Adhaar Scheme
Project Financial Literacy	SHG-Post Office Linkage
National Rural Financial Inclusion Plan	Project on "e-Grama"
Know Your Customer	General Credit Card
Farmers" Club Program	Financial Inclusion Fund
Credit Counselling Centres	Micro Pension Model
Pradhan Mantri Jan Dhan Yojna	No-frill Account
Support to Cooperative Banks and RRBs for setting up of Financial Literacy Centres	The National Agricultural Insurance Scheme
Separate Plan for Urban Financial Inclusion and Electronic Benefit Transfer Scheme	Nationwide Electronic Financial Inclusion System
Role of SHGs, NGOs and MFIs	Financial Inclusion Technology Fund
Financial Literacy through Audio Visual medium - Doordarshan	Micro Finance Development Fund

4.1 The Current Scenario of Financial Inclusion in India

Empirical evidence suggests the need for the definition of a subset of indicators for the development of effective financial inclusion policies. As a result, specialists from the World Bank, the International Monetary Fund, and many other global institutions have defined several robust metrics of financial inclusion for a country. Some examples of such broad indicators are the availability of bank credit, the volume of deposits, the prevalence of automated teller machines, and the size of the banking system as a whole. Table 2 displays information about similar economic metrics for a few different countries. In spite of its massive population, China has a remarkably robust infrastructure for financial inclusion, with 1,428.98 bank branches per 1,000 square kilometres of land.

Table 2: Indicators of Financial Inclusion: A Selected Set for 2011

SN	Country	Number of Bank Branches	Number of ATMs	Number of Bank Branches	Number of ATMs	Bank Deposits	Bank Credit
		Per 1000 KM		Per 0.1 Million		as % to GDP	
1.	**India**	**30.43**	**25.43**	**10.64**	**8.9**	**68.43**	**51.75**
2.	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
3.	China	1428.98	2975.05	23.81	49.56	433.96	287.89
4.	France	40.22	106.22	41.58	109.8	34.77	42.85
5.	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
6.	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
7.	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
8.	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
9.	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
10.	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
11.	Switzerland	84.53	166.48	50.97	100.39	151.82	173.26

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The Government of India has mandated that all public and private sector banks in India create a three-year financial inclusion plan (FIP) detailing their strategies for expanding access to banking services across the country, particularly in rural areas and through the use of business correspondents, as well as other details such as the current status of Kisan Credit Cards (KCC), the total number of General Credit Cards (GCC), and so on. There is a glimpse of India's financial inclusion progress in Table 3.

Table 3: Achievements in the realm of financial inclusion initiatives

S N	Particulars	March 2010	March 2011	March 2012	March 2013	March 2014	March 2016	March 2017
1.	Banking outlets in Rural locations - Branches	33378	34811	37471	40837	46126	51830	50860
2.	Banking outlets in Rural locations - Branchless mode	34316	81397	144282	227617	337678	534477	547233
3.	Banking outlets in Rural locations - Total	67694	116208	181753	268454	383804	586307	598093
4.	Urban locations covered through BC*	447	3771	5891	27143	60730	102552	102865
5.	Total Kisan Credit Cards (KCC, No. in million)	24.3	27	30	34	40	47.3	46
6.	KCCs -Total (Amount in Rs. billion)	1,240	1,600	2,068	2,623	3684	5,131	5805
7.	Total General Credit Cards (GCC, No. in million)	1.4	2	2	4	7	11.3	13
8.	GCC-Total (Amount in Rs. billion)	35	35	42	76	1097	1,493	2117

4.2 Modern Banking Industry Tendencies

People in a country rely heavily on banks for access to any form of financial resources. Scheduled banks and non-scheduled banks make up the bulk of India's banking system. Table 3 of several Reserve Bank of India annual reports reveals an increase in the number of branches of scheduled commercial banks over the last eight years. Table 3 demonstrates an upward trend in the percentage of offices in the north from 2010 to 2014, with a slower rate of increase in 2015 despite a larger absolute increase in the number of offices. Not only that, but the percentage growth in the number of scheduled bank branches in the south is the biggest of any region.

Table 4: Locations of Chartered Commercial Banks across the States

Regions	2010	2011	2012	2013	2014	2015
Eastern	14359	15138	16345	17469	19376	20893
Western	13543	14417	15751	17013	18673	19821
Northern	15087	16176	17905	19681	22000	23843
Southern	24423	25814	28300	30766	33691	36654
Central	17280	18194	19948	21581	24096	25926
North-Eastern	2268	2378	2556	2769	3129	3345
ALL INDIA	86960	92117	100805	109279	120965	130482

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Table 5: Growth in the Number of Branch for Regularly Opened Commercial Banks

Region/Year	2010	2011	2012	2013	2014	2015
Eastern	5.0	5.4	8.0	6.9	10.9	7.8
Western	6.9	6.5	9.3	8.0	9.8	6.1
Northern	7.2	7.2	10.7	9.9	11.8	8.4
Southern	6.3	5.7	9.6	8.7	9.5	8.8
Central	6.4	5.3	9.6	8.2	11.7	7.6
North-Eastern	4.0	4.9	7.5	8.3	13.0	6.9
ALL INDIA	6.3	5.9	9.4	8.4	10.7	7.9

From 2013 to 2016, the number of bank branches in India expanded dramatically thanks to the efforts of the Reserve Bank of India, as seen in Figure 2. An unusually high number of new connections were made in 2013 and 2014, relative to the previous several years.

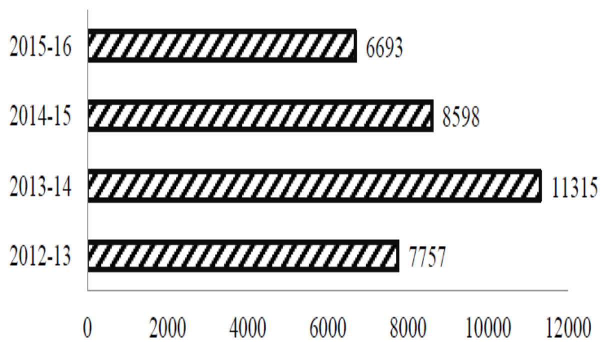

Figure 2: New Branches Opened in India

Among the most telling metrics of a country's progress toward financial inclusion is the number of bank branches (Ranjani and Bapat, 2015). The percentage of public sector bank branches that are open and functioning is displayed in Table 6. In Table 7, we see that the percentage of bank branches located in rural areas has stayed stable between 2011 and 2013, and has grown by 1% in both 2014 and 2015. But between 2011 and 2015, the number of public sector bank branches in urban regions fell by 2%.

Table 6: Current tally of open public sector banks' branches (Population Group wise)

Year	Rural	Semi Urban	Urban	Metropolitan	Total
31.03.2011	20,658	16,217	13,450	12,612	62,937
31.03.2012	22,379	17,905	14,322	13,244	67,850
31.03.2013	24,243	19,642	15,055	13,797	72,737
31.03.2014	27,547	21,952	16,319	14,644	80,462
31.03.2015	29,634	23,549	17,387	15,325	85,895

Table 7: India's Public Sector Bank Branches as a Percentage

	2011	2012	2013	2014	2015
Rural	33	33	33	34	35
Semi Urban	26	26	26	27	27
Urban	21	21	21	20	20
Metropolitan	20	20	19	18	18
Total	100	100	100	100	100

5. FUTURE PROSPECTS

Financial inclusion can only move forward if the government, the Reserve Bank of India, and the implementing agencies all put their heads together and come up with strategies to advance the cause. While high transaction costs for banks and customers may make the BC model initially unfeasible from a business perspective, this barrier can be overcome with the right application of technology. Scalable, platform-agnostic technological solutions are required since their widespread adoption can

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significantly reduce the high cost of operation. Thus, the key to accelerating the spread of financial inclusion lies in the development and implementation of appropriate and efficient technological means. So, there should be a deployment of ICT (ATMs, Smart Cards, and Mobile Banking) (ATMs, Smart Cards, and Mobile Banking). Only 55% of people have a bank deposit account, and only 9% have a bank credit account. The statistics showing the availability of alternative financial services are considerably less encouraging. Only about 10% of Indians have access to any sort of insurance, and that figure drops to less than 5% for life insurance. For the past five years, the number of active credit cards has hovered around 20 million. This means that many Indian households and the rural population are cut off from the financial system. The potential for financial institutions to modernize and enhance their methods of operation is one of the main attractions of the concept of financial inclusion. It is possible for banks to enhance their current delivery mechanism and organizational structure. Banking on a large scale with basic checking accounts can benefit both banks and their clients. With a greater number of SHGs enrolled in the bank linkage program, financial institutions, notably banks, can hasten the pace of financial inclusion. There is a way to solve the problem of financial exclusion, and that involves spreading banking services to rural areas. Currently, in India, people living in rural and outlying areas lack access to financial and banking services. Thus, concentrating on rural banking programs and policies can improve and boost financial outcomes by tapping into an untapped and non-penetrated sector. Mobile banking has the potential to be a game-changer for reaching previously unreachable customers and expanding financial inclusion at a rapid pace. This means that the goal of universal access to financial services is within reach.

6. CONCLUSION

There is an urgent need to expand access to high-quality financial services in rural areas, as this would boost economic growth by allowing rural households to invest in their own futures. The government of India has made serious attempts to expand access to financial services to all Indian residents. Some parts of the country still haven't caught up, despite the fact that financial inclusion efforts are making strides. Rapid technological advancement has also been critical in reducing economic inequality in the country. The use of automated teller machines, IMPS, and mobile banking has increased. The Government of India, the Reserve Bank of India, and the people of India are all working together to make it easier for everyone to participate in the country's financial system.

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